

Bulk Shipments of Currency — Overview

Objective. *Assess the adequacy of the U.S. bank’s systems to manage the risks associated with receiving and sending bulk shipments of currency and management’s implementation of effective monitoring and reporting systems.*

Bulk shipments of currency, sometimes referred to as wholesale cash, entails the transportation of large volumes of U.S. or foreign bank notes. Bulk shipments of currency can be sent from sources either inside or outside the United States to a bank in the United States. Shipments are also made from a bank in the United States to a recipient in a foreign jurisdiction.

This business uses common carriers of currency, private couriers, or the Postal Service to physically transport shipments.¹⁸³ These shipments can involve pedestrians, railways, roads, sea or air. Often, but not always, shipments take the form of containerized cargo.

Regardless of the business model employed, each physical transportation involves multiple parties that are responsible for fulfilling one or more specific roles in the delivery process. FinCEN guidance defines these roles to include:¹⁸⁴

- the common carrier,
- the shipper,
- the consignee,
- the currency originator, and
- the currency recipient.

Typically, a common carrier of currency transports currency or other monetary instruments as a business, for a person that engages the carrier for a fee (the “shipper”), from one place to another, to be delivered to the person appointed by the shipper to receive the currency or monetary instruments (the “consignee”). The shipper may be acting of its own accord or on instructions from a different person (the “currency originator”), and the consignee may be instructed to deliver the currency or other monetary instruments to the account of a final beneficiary (the “currency recipient”). The same person may fulfill more than one role in the same shipment.

The same person may be both the shipper, and the currency originator (i.e., individuals or businesses that generate currency from cash sales of commodities or other products or services (including monetary instruments or exchanges of currency)). Shippers also may be

¹⁸³ 31 CFR 1010.100(k) defines “common carrier” as any person engaged in the business of transporting individuals or goods for a fee who holds itself out as ready to engage in such transportation for hire and who undertakes to do so indiscriminately for all persons who are prepared to pay the fee for the particular service offered. This section addresses a subgroup of common carriers, those persons engaged as a business in the transportation of currency, other monetary instruments, or commercial papers, referred to herein as “common carriers of currency.” An armored car service is a type of this subgroup of common carriers.

¹⁸⁴ Refer to [CMIR guidance for common carriers of currency, including armored car services](#), FIN-2014-G002, August 1, 2014.

intermediaries that ship currency gathered from other shippers, who in turn are gathering currency from their customers who are currency originators. Intermediaries may be other banks, central banks, nondeposit financial institutions, or agents of these entities.

Banks receive bulk shipments of currency directly when they take possession of an actual shipment. Banks receive bulk shipments of currency indirectly when they take possession of the economic equivalent of a currency shipment, such as through a cash letter notification or deposit into the bank's account at the Federal Reserve. In the case of a shipment received indirectly, the actual shipment usually moves toward the bank only as far as a Federal Reserve Bank or branch, where the value of the currency becomes recorded as held on the bank's behalf. Whether the shipment to or from the bank is direct or indirect, banks are required to report the receipt or disbursement of currency in excess of \$10,000 via a Currency Transaction Report (CTR) (31 CFR 1010.311) subject to the exemptions at 31 CFR 1020.315. Note that most categories of CTR exempt persons apply only to the extent of the exempt person's domestic operations, 31 CFR 1020.315(b)(1-7). For more information on CTRs refer to the Currency Transaction Reporting Overview on page 81.

Report of International Transportation of Currency or Monetary Instruments

Subject to certain exemptions, each person who physically transports, mails or ships, or causes to be physically transported, mailed, or shipped currency or other monetary instruments, is required to report shipments in an aggregate amount exceeding \$10,000 received from or shipped to locations outside the U.S. via a Report of International Transportation of Currency or Monetary Instruments (CMIR) (31 CFR 1010.340) For more information on CMIRs refer to the International Transportation of Currency or Monetary Instruments Overview on page 139.

Regardless of whether an exemption from filing a CMIR or CTR applies, banks must still monitor for, and report, suspicious activity.

Risk Factors

Bulk shipments of currency to banks from shippers that are presumed to be reputable may nevertheless originate from illicit activity. The monetary proceeds of criminal activities, for example, often reappear in the financial system as seemingly legitimate funds that have been placed and finally integrated by flowing through numerous intermediaries and layered transactions that disguise the origin of the funds. Layering can include shipments to or through other jurisdictions. Accordingly, banks that receive direct or indirect bulk shipments of currency risk becoming complicit in money laundering or terrorist financing schemes.

In recent years, the smuggling of bulk currency has become a preferred method for moving illicit funds across borders.¹⁸⁵ Because bulk cash that is smuggled out of the United States is usually denominated in U.S. dollars, those who receive the smuggled bulk cash must find

¹⁸⁵ Refer to [U.S. Money Laundering Threat Assessment](#) (December 2005) on page 33. Congress criminalized the act of smuggling large amounts of cash as part of the USA PATRIOT Act. Specifically, 31 USC 5332-Bulk Cash Smuggling makes it a crime to smuggle or attempt to smuggle over \$10,000 in currency or other monetary instruments into or out of the United States, with the specific intent to evade the U.S. currency-reporting requirements codified in 31 USC 5316.

ways to re-integrate the currency into the global banking system. Often, this occurs through the use of a foreign financial institution, many times a money services business, that wittingly or unwittingly receives the illicit U.S.-dollar denominated proceeds, and then originates a cash letter instrument (or a funds transfer) for processing by, or deposit into, a U.S. bank. The foreign financial institution then initiates the process of physically repatriating (shipping) the cash back into the United States.¹⁸⁶ Experience has shown a direct correlation between the smuggling of bulk currency, the heightened use of wire transfers, remote deposit capture (RDC) transactions or cash letter instruments from certain foreign financial institutions and/or jurisdictions, and bulk shipments of currency into the United States from the same foreign financial institutions or jurisdictions.¹⁸⁷

The activity of shipping currency in bulk is not necessarily indicative of criminal or terrorist activity. Many individuals and businesses, both domestic and foreign, generate currency from legitimate cash sales of commodities or other products or services or certain industries such as tourism or commerce. Also, intermediaries gather and ship currency from single or multiple currency originators whose activities are legitimate. Banks may legitimately offer services to receive such shipments. However, banks should be aware of the potential misuse of their services by shippers of bulk currency. Banks should also guard against introducing the monetary proceeds of criminal or terrorist activity into the financial system. Banks should have a clear understanding of the appropriate volumes of currency shipments that are commensurate with the currency originator's or shipper's profile (size, location, strategic focus, customer base, geographic footprint) and the economic activity that generates the cash.

To inform banks on the topic of bulk currency shipments, FinCEN has issued a number of advisories that set forth certain activities that may be associated with currency smuggling.¹⁸⁸ According to FinCEN, U.S. law enforcement has observed a dramatic increase in the smuggling of bulk cash proceeds from the sale of narcotics and other criminal activities from the United States into Mexico. Although the FinCEN advisories deal specifically with the shipment of bulk currency to and from the United States and Mexico, the issues discussed could be pertinent to shipping bulk currency to and from other jurisdictions as well. Banks should look at each situation on a case by case basis.

Law enforcement has identified the following activities that, in various combinations, may be associated with currency smuggling:¹⁸⁹

¹⁸⁶ In certain cases, the foreign financial institution will ship the cash to its central bank or a money center bank in the foreign country in which the cash letter instrument originated. Sometimes numerous layered transactions are used to disguise the origins of the cash, after which the currency may be returned directly to the United States or further shipped to or through other jurisdictions. The cash will be repatriated back to the United States for the account of the U.S. bank in which the cash letter instrument was processed or funds transfer deposit was made.

¹⁸⁷ For an example of these types of transactions, refer to National Drug Intelligence Center's National Drug Threat Assessment 2008, Illicit Finance (December 2007).

¹⁸⁸ Refer to [FinCEN's Website](#) for advisories on the shipment of bulk currency to and from the United States.

¹⁸⁹ *Id.*

- An increase in the sale of large denomination U.S. bank notes to foreign financial institutions by U.S. banks.
- Small denomination U.S. bank notes smuggled into a foreign country being exchanged for large denomination U.S. bank notes possessed by foreign financial institutions.
- Large volumes of small denomination U.S. bank notes being sent from foreign nonbank financial institutions to their accounts in the United States via armored transport, or sold directly to U.S. banks.
- Multiple wire transfers initiated by foreign nonbank financial institutions that direct U.S. banks to remit funds to other jurisdictions that bear no apparent business relationship with that foreign nonbank financial institution (recipients include individuals, businesses, and other entities in free trade zones and other locations).
- The exchange of small denomination U.S. bank notes for large denomination U.S. bank notes that may be sent to foreign countries.
- Deposits by foreign nonbank financial institutions to their accounts at U.S. banks that include third-party items (including sequentially numbered monetary instruments).
- Deposits of currency and third-party items by foreign nonbank financial institutions into their accounts at foreign financial institutions and thereafter direct wire transfers to the foreign nonbank financial institution's accounts at U.S. banks.
- Structuring of currency deposits into an account in one geographic area, with the funds subsequently withdrawn in a different geographic region with little time elapsing between deposit and withdrawal. This is usually known as “funnel account” or “interstate cash” activity.

Risk Mitigation

U.S. banks that offer services to receive bulk shipments of currency should have policies, procedures, and processes in place that mitigate and manage the BSA/AML risks associated with the receipt of bulk currency shipments. Banks should also closely monitor bulk currency shipment transactions to detect and report suspicious activity, with particular emphasis on the source of funds and the reasonableness of transaction volumes from currency originators and intermediaries.

Risk mitigation begins with an effective risk assessment process that distinguishes relationships and transactions that present a higher risk of money laundering or terrorist financing. Risk assessment processes should consider currency originator and intermediary ownership, geographies, economic factors and the nature, source, location, and control of bulk currency. For additional information relating to risk assessments and due diligence, refer to the core overview sections “BSA/AML Risk Assessment” on page 18 and “Customer Due Diligence” on page 56.

A U.S. bank's policies, procedures, and processes should:

- Specify appropriate risk-based relationship opening procedures, which may include minimum levels of documentation to be obtained from prospective currency originators

and intermediaries; specify relationship approval process that, for potential higher-risk relationships, is independent of the business line and may include a visit to the prospective shipper or shipping-preparation sites; and describe the circumstances under which the bank does not open a relationship.

- Determine the intended use of the relationship, the expected volumes, frequency of activity arising from transactions, sources of funds, reasonableness of volumes based on originators and shippers (e.g., based on size, location, strategic focus, customer base, geographic footprint), economic and regulatory conditions that may affect currency circulation and any required BSA reporting obligations (CTRs, CMIRs, etc.).
- Identify the characteristics of acceptable and unacceptable transactions, including circumstances when the bank does or does not accept bulk currency shipments.
- Assess the risks posed by a prospective shipping relationship using consistent, well-documented risk-rating methodologies.
- Incorporate risk assessments, as appropriate, into the bank's customer due diligence, EDD, and suspicious activity monitoring systems.
- Require adequate and ongoing due diligence once the relationship is established, which, as appropriate, may include periodic visits to the shipper and to shipping-preparation sites. As necessary, scrutinize the root source of cash shipments for reasonableness and legitimacy using risk-based processes.
- Ensure that appropriate due diligence standards are applied to relationships determined to be higher risk.
- Include procedures for processing shipments, including employee responsibilities, controls, reconciliation and documentation requirements, and employee/management authorizations.
- Establish a process for escalating suspicious information on potential and existing currency originator and intermediary relationships and transactions to an appropriate management level for review.
- Refuse shipments having questionable or suspicious origins.
- Ensure that shipping relationships and comparisons of expected vs. actual shipping volumes are included, as appropriate, within the U.S. bank's systems for monitoring and reporting suspicious activity.
- Establish criteria for terminating a shipping relationship.
- Ensure that shipments involving the foreign correspondent relationships are covered by the bank's due diligence program for correspondent accounts for foreign financial institutions.¹⁹⁰

As a sound practice, U.S. banks should inform currency originators, shippers, and intermediaries of the BSA/AML-related requirements and expectations that apply to U.S.

¹⁹⁰ 31 CFR 1010.610.

banks. U.S. banks also should understand the BSA/AML controls that apply to, or are otherwise adopted by, the currency originator, shipper, or intermediary, including any customer due diligence and recordkeeping requirements or practices.

Other bank controls may also prove useful in protecting banks against illicit bulk shipments of currency. These may include effective controls over foreign correspondent banking activity, pouch activity, funds transfers, international Automated Clearing House transactions, and remote deposit capture.

Contractual Agreements

U.S. banks should establish agreements or contracts with currency originators, shippers, intermediaries, and/or established common carriers such as the ones that are allowed to deliver directly to the bank's vault.¹⁹¹ The agreement or contract should describe each party's responsibilities and other relevant details of the relationship. The agreement or contract should reflect and be consistent with any BSA/AML considerations that apply to the bank, the common carrier, currency originator or intermediary, and their customers. The agreement or contract should also address expectations about due diligence and permitted use of the shipper's services by third parties. While agreements and contracts should also provide for respective BSA/AML controls, obligations, and considerations, U.S. banks cannot shift their BSA/AML responsibilities to others.

¹⁹¹ For additional details, refer to [Treatment of Armored Car Service Transactions Conducted on Behalf of Financial Institution Customers or Third Parties for Currency Transaction Report Purposes](#) FIN-2013-R001, July 12, 2013.